

U.S. Department of Housing and Urban Development Office of Public and Indian Housing

Special Attention of: Notice PIH 2008-33 (HA)

Public Housing Agencies

Public Housing Hub Office Directors Issued: August 14, 2008

Public Housing Program Center Directors

Regional Directors Exp

Field Office Directors

Resident Management Corporations

Expires: August 31, 2009

Cross Reference:

Subject: Public Housing Operating Subsidy Calculations for Calendar Year (CY) 2009

1. Purpose

This notice provides public housing agencies (PHAs) with instructions for operating subsidy calculation submissions in Calendar Year (CY) 2009 as funded from Federal Fiscal Year (FFY) 2009 appropriations.

2. Project-Level Funding

HUD provides operating subsidies for public housing at the project level on a calendar year basis. Separate operating subsidy calculation forms must be submitted for each project identified as such under asset management pursuant to 24 CFR § 990.265. PHAs that own and operate fewer than 250 units and treat their entire portfolio as a single project pursuant to 24 CFR § 990.260(b) or PHAs with only one project shall only submit one set of forms.

3. Required Operating Subsidy Submission Forms for CY 2009

To determine operating subsidy eligibility under the operating fund formula, PHAs must complete and submit the following two forms:

- Form HUD-52723, Calculation of Operating Subsidy (expiration date May 31, 2010); and
- Form HUD-52722, Calculation of Utilities Expense Level (expiration date May 31, 2010).

Forms HUD-52723 and HUD-52722 are used to determine a PHA's operating subsidy eligibility. PHAs must also complete and submit the following:

• Form SF-424, Application for Federal Assistance (expiration date January 31, 2009), required as part of the government-wide *e-grants* management initiative;

- Form HUD-50071, Certification of Payments to Influence Federal Transactions (expiration date March 31, 2010); and
- Supporting documentation, as needed or requested by the field office.

4. Submission Process

The Subsidy and Grants Information System (SAGIS) will not be implemented for the Operating Fund Program in CY 2009 in order to allow time for further testing. In lieu of electronic submission in SAGIS, PHAs shall submit form HUD-52723 electronically in an Excel Tool that replicates SAGIS form HUD-52723. The Tool captures form HUD-52723 information that otherwise would have been included in SAGIS. PHAs shall submit form HUD-52723 electronically in the Excel Tool for each project to their local HUD field office. Instructions for completing and submitting the Excel Tool, along with other required forms and supporting documentation, will be posted on the Asset Management Project-Based Funding web page at:

http://www.hud.gov/offices/pih/programs/ph/am/funding.cfm

PHAs will be notified through their field offices when the instructions are available on the above web page.

Some data will be pulled from the PIH Information Center (PIC) to populate the Excel Tool. Therefore, it is imperative that data for the reporting period July 1, 2007, through June 30, 2008, be accurate. Units added to or deleted from the inventory during the reporting period need to be reflected in PIC. PIC data must be updated by August 29, 2008. The following data from PIC pre-populates the Excel Tool for each project.

- Name and address of PHA;
- ACC units on June 30, 2008 (PHA-wide);
- ACC units on July 1, 2007 (for each project); and
- Unit status.

Other pre-populated data in the Excel Tool include ACC Number, DUNS Number, Project Expense Level (PEL), Inflation Factor and Formula Income.

5. Submission Schedule

At this time, it is anticipated that the Excel Tool and corresponding instructions will be provided to PHAs in October 2008. PHAs will complete Excel Tools according to the instructions and submit to the appropriate field office in accordance with the submissions schedule which will be posted on the Asset Management Project-Based Funding web page.

PHAs failing to meet the submission deadlines may be subject to a suspension and/or loss of operating subsidy payments.

6. Initial Obligation of CY 2009 Operating Subsidy

In order to allow adequate time for PHAs to submit, HUD field offices to review and Headquarters to process the CY 2009 applications, HUD will obligate the first three months of CY 2009 eligibility for each project based on the CY 2008 eligibility adjusted by:

- Applying the 2009 non-utility inflation factor to the 2008 PEL;
- Applying the 2009 utility inflation factor to the 2008 Utilities Expense Level (UEL); and
- Applicable transition funding.

One quarter of the estimated CY 2009 eligibility will be multiplied by the estimated proration to determine the first three months' obligation amount. However, if HUD is under a Continuing Resolution at the time of this initial obligation, the initial obligation of funds may be less than three months depending on the provisions of the Continuing Resolution.

7. Revisions to Operating Subsidy Eligibility

Revisions must be submitted to the appropriate field office **no later than July 13, 2009**. Guidance for revisions will be posted on the Asset Management Project-Based Funding web page. PHA/project revisions to operating subsidy eligibility may be made due only to:

- Correction of errors;
- New units (24 CFR § 990.155);
- Demolition and disposition of units (24 CFR § 990.155);
- New utilities incentives/contracts (24 CFR § 990.185); or
- Appeals granted by HUD.

8. Other Operating Subsidy Calculation Information

- A. PHA Appeals for Formula Income and Changing Market Conditions. PHA appeals for CY 2009 due to: (1) formula income for economic hardship; or (2) changing market conditions **must** be sent to the PHA's field office at the same time as the original submissions of operating subsidy eligibility. Refer to Notice PIH 2008-03, Guidance on Appeals under 24 CFR part 990, Subpart G, for Calendar Year 2008. (For changing market conditions in CY 2009, the reporting period in the notice is incremented by one year to July 1, 2007, through June 30, 2008.)
- **B. Project Expense Levels (PELs).** PHAs that have maintained the same groupings of projects/buildings since June 2007 have the same 2009 beginning PEL as reported on Section 3, Part A, line 3 of the CY 2008 form HUD-52723. PHAs that have changed their project/building groupings in PIC since June 2007 will have a new PEL

generated based on PIC data as of August 29, 2008, and will receive an updated PEL based on the new grouping.

CY 2009 operating subsidy calculations will not be revised to reflect changes to project groupings made after August 29, 2008, with the possible exception of new project(s) created after August 29, 2008. Changes after August 29, 2008, will be applied to CY 2010 operating fund calculations. PHAs should contact their field office for guidance if a PHA has an approved change that occurred prior to August 29, 2008, and the change is not reflected in the Excel Tool or the PHA creates a new project after August 29, 2008.

- C. 2004 Frozen Formula Income at the Project Level. The Excel Tool pre-populates the 2009 frozen formula income per unit month (PUM) for each project with a frozen formula income PUM for CY 2008. If project groupings have changed, the PHA may submit a frozen formula income worksheet to support the project's frozen formula income PUMs based on the new groupings. Worksheet instructions will be posted on the Asset Management Project-Based Funding web page.
- **D. Formula Income for New Projects.** For projects entering service after FY 2004, the formula income will use the most "representative" rental information for the new project. Representative rental information is considered to be rental income for a one to three months lease up period that reflects the area's normal vacancy rate. If this information is not available, comparable data for another new development may be used if one exists. Once a representative base is established, HUD may adjust the frozen formula income to reflect actual rental income. This adjustment would not be retroactive but, instead, be carried forward to future subsidy calculations.
- E. Cost of Independent Audit and Payment in Lieu of Taxes (PILOT). PHAs' audit costs and PILOT amounts will be posted to a spreadsheet on the Asset Management Project-Based Funding web page. Amounts are based on the most recent approved, audited FASS-PH Financial Data Schedule (FDS) submissions. To determine a project-level audit cost amount and PILOT amount, PHAs must reasonably allocate these amounts to each project. The sum of the allocations should not exceed actual audit costs and PILOT, as shown on the spreadsheet. If a PHA's most recent actual audit cost or PILOT is not shown on the spreadsheet, the PHA must include proof of payment (not earlier than the period covered on the spreadsheet) with its submission.
- **F. Asset Management Fee.** In general: (1) PHAs with at least 250 units are eligible for a \$4 PUM asset management fee; and (2) PHAs with fewer than 250 units that elect to transition to asset management are eligible for a \$2 PUM asset management fee. PHAs with fewer than 250 units that group their entire portfolio as a single project pursuant to 24 CFR 990.260(b) are not eligible for an asset management fee.
- **G. UEL and Central Office Cost Centers (COCC).** COCC utility consumption/costs are not eligible for inclusion in the calculation of the PHA's/project's UEL. If the COCC is located in other than a stand-alone building, use a reasonable methodology to back out actual consumption, rolling base consumption and utility costs for the COCC from the project totals. Include an explanation of the methodology as supporting documentation to the submission.

- H. Elderly/Disabled Service Coordinator Program. For CY 2009, the public housing share of the reasonable cost of salary, fringe benefits and other administrative costs for the Elderly/Disabled Service Coordinator (EDSC) Program will again be funded through operating subsidies. Only PHAs that previously received EDSC funding (not Resident Opportunities and Self-Sufficiency (ROSS) Elderly and Persons with Disabilities funding), are eligible. If you are unsure that you qualify, check the listing that will be posted on the Asset Management Project-Based Funding web page. Funding based on prior EDSC levels includes an annual inflation factor no greater than the local inflation factor from form HUD-52723, Section 3, Part A, Line 02. Enter the subsidy amount for the EDSC program on form HUD-52723, Section 3, Part A, Line 07, "Self-sufficiency" Add-On. Contrary to this title, Part A, Line 07, "Self-sufficiency" may only include an amount for the EDSC program, subject to EDSC eligibility.
- I. Moving-to-Work (MTW) PHAs. MTW PHAs with an alternative operating fund formula agreement submit one calculation using form HUD-52723 and form HUD-52722. Alternative formula PHAs complete these forms as follows:

HUD-52723: Section 1; Section 2, Annual Contributions Contract (ACC) units; Section 3, Part C, Lines 01 and 04; and Part D, Lines 01 and 03; and

HUD-52722: in accordance with their MTW agreement.

MTW PHAs that do not use an alternative operating fund formula shall complete and submit all sections of the form HUD-52723 and the form HUD-52722 on a project-level basis.

J. Funding for New Units. Additional instructions on funding for new units (units added after the reporting period) will be posted on the Asset Management Project-Based Funding web page.

9. Mutual Help and Turnkey III Projects

If a PHA has a Mutual Help or Turnkey III project(s) and is requesting operating subsidy for the project(s), it must complete and submit **form HUD-53087**, Calculation of Subsidies for Operations: Non-Rental Housing (expiration date May 31, 2010). The operating subsidy provided to a Mutual Help or Turnkey III project is partially based on the project's operating budget. PHAs requesting operating subsidy for Mutual Help and Turnkey III projects should base the CY 2009 form HUD-53087 on the latest approved operating budget at the time of submission.

10. PHA Board Resolution

In the past, the PHA Boards certified approval of both the operating subsidy forms and the operating budget. Now that operating subsidy forms are submitted separately from the operating budget, Boards certify approval of only the operating budget. Board Resolutions must be submitted **prior to the beginning of the PHA's fiscal year**.

Only one PHA Board Resolution, form HUD-52574 (expiration date October 31, 2009), needs to be submitted, regardless of the number of projects. If the PHA has more than one project, the language "for all projects" must be so noted in the first checkbox description. The checkbox then will read "Operating Budget for all projects approved by Board Resolution on:" (date).

11. **HUD Approval of Calculations**

HUD will use the submitted documentation and exercise all available adjustment powers, as needed, to determine an appropriate operating subsidy level for CY 2009. HUD will then approve operating subsidy calculations at that level.

12. Further Information

All questions at the PHA level are to be referred to the appropriate field office.

13. Paperwork Reduction

The information collection requirements contained in this notice have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C.3520) and assigned OMB approval numbers 2577-0026, 2577-0029, and 2577-0157. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

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Paula O. Blunt, General Deputy Assistant Secretary for Public and Indian Housing